

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN JO 02893 01 OF 02 310009Z

64

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 SS-20 L-03 H-03

NSC-07 PA-04 USIA-15 PRS-01 DRC-01 /174 W

----- 044316

R 302300Z JUL 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7692

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SECTION 1 OF 2 SAN JOSE 2893

E.O. 11652: N/A

TAGS: ELAP, PINT, CS

SUBJECT: STATUS REPORT ON PROPOSED SALE OF STANDARD TO GOCR

REF: SAN JOSE 2844

1. SUMMARY. STANDARD FRUIT AND THE GOCR CONTINUE TO DISCUSS POSSIBLE SALE OF BANANA HOLDINGS. PROBABLE SALE PRICE WOULD BE BETWEEN \$15 AND \$18 MILLION DEPENDING ON WHETHER BOOK VALUE ALONE OR BOOK VALUE PLUS A TAX REBATE AND/OR GOVERNMENT ASSUMPTION OF WORKERS' TERMINATION PAY IS INCLUDED. STANDARD'S POSITION IS THAT A TAX FIGURED ON JOBBER PRICE TO MARKET WOULD EXCEED TOLERABLE MAXIMUM AND THAT IT WOULD BE UNPROFITABLE TO OPERATE UNDER THESE CONDITIONS. IT IS POSSIBLE THAT IF SALE GOES THROUGH, UNITED BRANDS WILL AGREE TO MARKET THE FRUIT FOR THE GOCR.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 02893 01 OF 02 310009Z

END OF SUMMARY.

2. STANDARD FRUIT REPRESENTATIVE EDUARDO DE LA ESPRIELLA CALLED ON THE CHARGE ON JULY 26 TO GIVE A STATUS REPORT ON NEGOTIATIONS WITH THE GOCR FOR THE SALE OF STANDARD'S HOLDINGS IN COSTA RICA. ACCORDING TO DE LA ESPRIELLA, STANDARD RECEIVED A LETTER ON JULY 24 IN WHICH THE GOCR STATED ITS WILLINGNESS TO ACCEPT STANDARD'S OFFER TO BUY ITS HOLDINGS FOR BOOK VALUE. DE LA ESPRIELLA EXPLAINED THAT SOME CONFUSION EXISTS BECAUSE (1) STANDARD DID NOT OFFER TO SELL, RATHER IT AGREED TO ACCEPT FORMER PRESIDENT FIGUERES' OFFER TO BUY AND (2) STANDARD'S "OFFER" WAS BASED ON RECEIVING BOOK VALUE AND BEING RECOMPENSED FOR ANY PAYMENT MADE UNDER THE NEW BANANA EXPORT TAX. THE GOCR HOLDS FIRM WITH ITS OBJECTION TO COMPENSATING STANDARD FOR THE TAX. ONE OTHER ISSUE WHICH STILL REMAINS UNDER DISPUTE IS STANDARD'S REQUEST THAT THE GOCR PAY TE PRESTACIONES OWED TO THE WORKERS UPON TRANSFER OF THE COMPANY'S HOLDINGS.

3. DE LA ESPRIELLA PROVIDED THE EMBASSY WITH THE FOLLOWING FIGURES WHICH ARE UNDER DISCUSSION:
(1) BOOK VALUE - STANDARD ESTIMATES THE BOOK VALUE OF ITS HOLDINGS AT BETWEEN \$16 AND 17 MILLION. THESE INCLUDE SOME \$1.5 MILLION IN CURRENT ASSETS... I.E. MAINLY FOREIGN BANK HOLDINGS WHICH WOULD REVERT TO THE COMPANY UPON SALE. THUS, THE PRICE TO THE GOCR BASED ON BOOK VALUE ALONE WOULD BE ABOUT \$15 MILLION AND (2) PRESTACIONES - STANDARD ESTIMATES THESE AT ABOUT \$1 1/2 MILLION. ESTIMATES ON THE TAX WILL NATURALLY DEPEND UPON DATE OF PURCHASE. HOWEVER, FURTHER INCREASES SHOULD NOT BE OF RELATIVE SIGNIFICANCE ASSUMING SETTLEMENT IS MADE IN THE NEAR FUTURE.

4. STANDARD HAS ASKED THE GOCR TO INFORM THEM OF HOW MUCH TIME THE COMPANY HAS TO RESPOND TO THE OFFER MADE IN THE JULY 24 LETTER. IT WOULD NORMALLY BE 60 WORK DAYS UNDER WHAT WE BELIEVE TO BE THE RELEVANT CLAUSE OF THE COMMERCIAL CODE. IT IS NOT CLEAR WHEN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN JO 02893 01 OF 02 310009Z

THE 60 DAYS BEGAN. HOWEVER, BECAUSE OF THE CONFUSION REGARDING WHO MADE THE ORIGINAL OFFER, THE GOCR OR STANDARD. IF IT IS DETERMINED THAT STANDARD MADE THE ORIGINAL OFFER THEN (1) THE GOVERNMENT'S LETTER OF ACCEPTANCE COULD BE INTERPRETED TO INCLUDE THE TAX AS WELL AS THE BOOK VALUE; AND (2) THE SIXTY WORK DAYS HAVE JUST ABOUT RUN OUT SINCE STANDARD'S CABLE ACCEPTING FIGUERES' OFFER WAS SENT ON MAY 17. AS OF

JULY 29 STANDARD HAD NOT BEEN ADVISED OF HOW MANY
DAYS IT HAS TO RESPOND TO THE GOCR'S LETTER OF JULY 24.

5. WITH REGARD TO THE BASE PRICE BEING USED TO ASSESS
THE TAX, DE LA ESPRIELLA AGREED THAT UNDER THE AMENDED OR
"CORRECTED" DECREE OF JULY 12 IT WILL DEFINITELY BE THE PRICE
SET BY RATHER THAN TO THE JOBBER. SINCE THE VARIATION IN THESE
PRICES IS RELATIVELY SIZABLE THE TAX ASSESSED PER BOX ON THE
JOBBER'S SALE PRICE WOULD PROBABLY BE ABOUT 50 CENTS OR MORE ON
THE AVERAGE. STANDARD CLAIMS IT COULD NOT OPERATE PROFITABLY UNDER
THESE CIRCUMSTANCES.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 SAN JO 02893 02 OF 02 310017Z

64

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 SS-20 L-03 H-03

NSC-07 PA-04 USIA-15 PRS-01 DRC-01 /174 W

----- 044500

R 302300Z JUL 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7693

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGCIGALPA

LIMITED OFFICIAL USE SECTION 2 OF 2 SAN JOSE 2893

6. THE FEASIBILITY OF THE GOCR'S TAKEOVER OF STANDARD
DEPENDS, OF COURSE, ON ITS ABILITY TO MARKET THE FRUIT.
DE LA ESPRIELLA EXPLAINED THAT THERE HAS BEEN SOME
PRELIMINARY DISCUSSION WITH STANDARD ON THE POSSIBILITY
OF STANDARD'S CONTRACTING FOR THIS SERVICE.
EVIDENTLY STANDARD HAS AGREED TO MARKET THE FRUIT
WHILE THE GOVERNMENT'S OPERATION IS GETTING UNDERWAY

BUT HAS NOT YET DECIDED WHETHER IT WOULD BE WORTHWHILE TO MARKET THE FRUIT IN THE LONG RUN. THERE HAS BEEN SOME NEWSPAPER SPECULATION TO THE EFFECT THAT UNITED AND/OR BANDECO ARE INTERESTED IN A MARKETING ARRANGEMENT. UNITED BRANDS REP., RICHARD JOHNSON, INFORMED AN EMBOFF ON MAY 29 THAT SUCH ARRANGEMENTS WOULD BE VERY PREMATURE AND UNITED HAS REACHED NO AGREEMENT ON MARKETING AS YET. HE INDICATED, HOWEVER, THAT IN HIS PERSONAL OPINION SUCH AN ARRANGEMENT COULD BE OF INTEREST TO UNITED SINCE UNITED HAS A LARGE FLEET AND COULD EXPAND THE VOLUME OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 02893 02 OF 02 310017Z

BANANAS HANDLED IF CURRENT PLANS TO DEVELOP NEW MARKETS IN EASTERN EUROPE AND THE MIDDLE EAST WORK OUT AS PLANNED.

7. WITH REGARD TO THE BANANA EXPORT TAX, JOHNSON ECHOED DE LA ESPRIELLA'S CONCERN OVER A TAX BASED ON THE JOBBERS' PRICE TO MARKET. JOHNSON EXPLAINED THAT UNITED'S CHAIRMAN OF THE BOARD, ELI BLACK, HAD INDICATED THAT A TWENTY-FIVE CENT TAX WOULD BE WITHIN REASON AND THAT THE IDEA OF A PROFIT SHARING ARRANGEMENT WHEN THE LANDED SALE PRICE TO THE JOBBER ROSE ABOVE A CERTAIN POINT HELD A CERTAIN ATTRACTION AS IT TENDED TO MAKE THE GOVERNMENT A KIND OF BUSINESS PARTNER. THIS WOULD, PRESUMABLY, HELP CREATE MUTUAL SYMPATHY AND UNDERSTANDING. THE CURRENT INTERPRETATION THAT THE TAX WILL BE BASED ON THE JOBBER'S PRICE TO MARKET, HOWEVER, CONFUSES THE ISSUE. LANE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRIBUSINESS, INDUSTRY, SALES, NATIONALIZATION, REPORTS, BANANAS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANJO02893
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740207-0601
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974076/aaaaaepw.tel
Line Count: 204
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: SAN JOSE 2844
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by rowelle0>; APPROVED <20 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATUS REPORT ON PROPOSED SALE OF STANDARD TO GOCR
TAGS: ELAB, PINT, CS, US, STANDARD FRUIT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005